

STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

July 7, 2016

Mr. Clovis Reed, City Manager
City of Diamondhead
5000 Diamondhead Circle
Diamondhead, MS 39525

Dear Mr. Reed,

Based on the request of the Diamondhead City Council, the Mississippi Office of the State Auditor (OSA) agrees to conduct a limited scope performance and compliance review of certain key areas that you have identified in previous correspondence. This performance review will be conducted using the Generally Accepted Government Auditing Standards for Performance Audits and will include a review of the internal controls of the City of Diamondhead's financial systems.

We will issue a management letter to the Council, through you, detailing our work and any recommendations we may have for organizational or system improvements. Throughout this project, we will keep you and the Council informed of what we are finding, and, where applicable, we will provide best practices and constructive recommendations. The goal of this project is to provide your City with assurance of compliance, long term planning, and best practices for a Council Manager form of Government.

In order for us to begin in a timely manner, we will need just a few things ahead of time:

- A current organization chart for Diamondhead which includes, names, titles, and brief job descriptions, including any signatory authority for grants, loans, payments, etc.;
- A copy of any policies and procedures used by the municipality related to the various areas under review;
- Your most current strategic plan if you have one;
- A list of all grants, loans, bonds, and other revenue sources that Diamondhead has utilized over the last two to three years, including initial dates of approval by the Council, action by the administration, beginning/end dates, and any payment schedules, reimbursement schedules, reports, etc.;
- Any POA or other interlocal agreements/contracts that Diamondhead has approved;
- Your most recent 3 audits; and

- Your most recent budget.

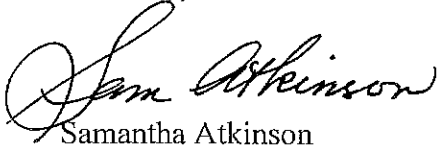
As part of our review we will gather information and conduct interviews related to roles, authority, decision making, and the processes currently in place, including how cash and other funds are handled, timeliness and accuracy of deposits and payments, reconciliation of accounts, and internal controls over these processes. We may request sample items to validate responses.

OSA bills at a rate of \$35/hour and we expect this to take less than 500 hours total. We will only bill Diamondhead for the actual time spent on this project up to that amount. OSA is conscious of the need to be good stewards of the taxpayer's money, and to that end, we will be efficient with our time and effort on your project.

By the approval of this engagement letter, the City of Diamondhead to make payment in accordance with Mississippi law on "Timely Payments for Purchases by Public Bodies," Section 31-7-301, et seq. of the Mississippi Code of 1972, as amended, which generally provides for payment of undisputed amounts within forty-five (45) days of receipt of the invoice.

If this is all acceptable to you, please sign and return this letter (or you may provide the signed original to me when we begin work). If you have any questions or concerns, please feel free to contact me at 601-576-2655 (w), 601-214-0130 (c), or by e-mail at sam.atkinson@osa.ms.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Sam Atkinson", written over a horizontal line.

Samantha Atkinson
Director of Performance Audit